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EX-101 OR LATE FILED

**EX PARTE**

August 25, 1998

Magalie Roman Salas, Secretary  
Federal Communications Commission  
1919 M Street NW, Room 222  
Washington, DC 20554

**RECEIVED**

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**ORIGINAL**

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: CC Docket No. 97-211  
WorldCom, Inc. and MCI Communications Corporation

Dear Secretary Salas:

MCI has been asked by the Commission staff to describe, on the public record, certain aspects of the proposed divestiture MCI's Internet business to Cable & Wireless plc ("C&W"). In addition, the Commission staff has asked that MCI and WorldCom respond to two allegations made by the Communications Workers of America ("CWA") in ex parte submissions of August 3 and August 7, 1998. This letter responds to those requests.

Internet Divestiture Terms:

Q1: For what length of time will C&W be allowed to use the MCI name?

A1: For one year from the closing date, C&W will be authorized, under a license from MCI, to identify the transferred Internet backbone and/or the transferred internetMCI business as "formerly the internetMCI backbone network" and/or "formerly the iMCI business."

Q2: Does the contract contemplate that C&W and MCI WorldCom will share multiuse facilities? If so, how will the facilities be shared? If not, please explain.

A2: The agreement between MCI and C&W contemplates several types of shared use of facilities (encompassing both communications facilities and office space):

- A) C&W is entitled to receive a specified amount of point-to-point private line circuit capacity required to support the existing Internet network, as well as the projected growth in its Internet network. The capacity

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provided could be either dedicated to support the Internet network, or, depending upon routes and volumes, might be used by MCI to support other communications services in addition to C&W's Internet network. C&W will not own the facilities but will have a right of use.

- B) Pursuant to a collocation agreement, C&W has a right for a two-year period to collocate certain routers and modems purchased from MCI at MCI locations where the equipment is currently housed, and has a right to extend the collocation agreement for an additional three years. In addition, C&W has a right to collocate additional routers and modems at MCI locations to accommodate projected growth of the Internet business. MCI will provide C&W with commercially reasonable access to the collocated equipment, and C&W has the ability to connect C&W-owned transport facilities to equipment at the collocated locations.
- C) For an initial period of six to twelve months (depending on location), with two three-month extension periods, C&W shall also have the right to house acquired non-collocated assets, as well as transferred employees, at existing MCI locations in exchange for reasonable compensation.
- D) MCI WorldCom and C&W will provide one another with certain services and will share certain systems, all on an arm's length contractual basis, for a short period of time to allow a normal transition of the business. For example, C&W will be using MCI's order entry system, and C&W will be providing Internet services to MCI WorldCom using the equipment that is being sold.

Q3: With respect to (1) collocation and (2) software use, rights, leases, describe the arrangements that the contract contemplates.

A3: (1) See A2 above.

(2) MCI will provide to C&W a nonexclusive, royalty free, perpetual license to utilize certain MCI-owned software and source code necessary for the operation of the Internet business. For a two year period, C&W shall have the right to obtain updates (if any) to the licensed software. In addition, for certain other MCI-owned software (primarily including software systems whose primary use is not the Internet business), MCI will provide to C&W a nonexclusive, royalty free license for periods of twelve, eighteen, or twenty-four months, depending on the software. C&W shall be responsible for acquiring the right to utilize any third party software or systems (if any) required to operate the licensed MCI-owned software.

Q4: Describe the measures MCI will take to facilitate retention of transferred employees by C&W.

A4: MCI will make a substantial cash contribution to fund an employee retention plan which C&W will develop and implement, with the objective of retaining the

transferred employees from the date of the announcement of the transaction until two years after the closing date. In addition, MCI WorldCom is prohibited from hiring any employee transferred to C&W for one year after the closing date, and is prohibited from soliciting any employee transferred to C&W for two years after the closing date.

Q5: What is the length of the term of the peering agreement between MCI WorldCom and C&W?

A5: MCI WorldCom and C&W are prohibited from terminating the peering agreement for a period of five years from the closing date (except in the event of a material default which is not remedied).

Response to CWA Ex Partes

MCI and WorldCom also wish to respond to CWA's allegations with respect to two aspects of the divestiture. First, as indicated in ex parte filings dated July 28, 1998, and July 31, 1998, the comparison of dedicated access ISP customer lists that was conducted by a Washington, DC, law firm, as described more fully in those filings, indicated that relatively few of those dedicated access ISP customers were multi-homed to MCI and UUNET. In an Ex Parte filing dated August 7, 1998, the CWA suggest that this belief is in conflict with statements made at an investor presentation in New York City. No conflict exists. To the extent that the comments described in the CWA ex parte have caused any misunderstanding, MCI and WorldCom wish to reiterate the point that was made in our FCC filings: A "snapshot" of limited samples of dedicated access ISP customers -- who accounted for a substantial share of the dedicated Internet access revenues from ISPs -- indicated that relatively few of those customers were multi-homed to MCI and WorldCom. MCI and WorldCom have consistently agreed with industry sources that a majority of ISP customers are multihomed. This does not mean that most internetMCI customers are multihomed with WorldCom. MCI and WorldCom do not know the extent of overlap between the internetMCI customers and WorldCom Internet customers, as this information has not yet been compiled.

Nothing in Michael Rowny's comments in Communications Daily -- cited by the CWA in its ex parte filing dated August 3, 1998 -- indicates any intent to evade or violate the non-compete provisions in the divestiture agreement that are summarized in MCI's earlier ex parte submissions. Instead, those comments merely recognize that MCI sales executives will have the capability, after the closing of the merger, to offer and provide UUNET Internet services to customers of the merged entity to the extent the non-compete provisions permit MCI WorldCom to do so. Mr. Rowny's comments cannot fairly be read to imply that such services would be available or offered to all customers, regardless of MCI's and WorldCom's contractual non-compete obligations.

MCI and WorldCom intend to comply fully with the contractual non-compete obligations to which they agreed as part of the divestiture of MCI's Internet business to C&W.

Pursuant to Section 1.1206(b)(1) of the Commission's Rules, 47 C.F.R. § 1.1206(b)(1)(1997), the original and one copy of this letter are to be included in the above-referenced docket as a written *ex parte* presentation.

Should there be any questions concerning this matter, please contact the undersigned.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Larry A. Blosser".

Larry A. Blosser